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Videodiscs' Debut: Can $10 Movies Sell?

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UNIVERSAL CITY, Calif.—Are people willing to spend $10 for their own copy of the motion picture "Jaws" for home viewing, and $500 for a videodisc system on which to play it?

Consumers in selected parts of the country will be able to start answering that question for themselves before this year is out, as the long-awaited commercial introduction of videodisc players and product finally gets under way.

MCA, Inc., the giant California entertainment conglomerate, in conjunction with Dutch-owned N.V. Philips, the world's largest electronics company, have said they will begin marketing their optical videodisc system by the fourth quarter of 1977, along with about 250 initial program titles.

These will include movies like the all-time box office blockbuster "Jaws," as well as "The Sting" and "American Graffiti," all originating from MCA's Universal Pictures unit, concert performances by both classical artists and pop stars like Elton John, and instructional how-to shows like Julia Childs' "French Chef" cooking lessons.

Program prices will range from $1 to $10, depending on their length, the potential sales, and the cost of reproduction rights and royalties. MCA, which claims it holds rights to 11,000 titles, is sitting pretty so far as software is concerned.

And the introductory price of the player system will be about $500, with the possibility of further price reductions as mass production takes off. MCA chairman Lew Wasserman believes there is the potential for price decreases "probably in the same proportion that televisions and video games have dropped in price."

The MCA—Philips move to market their videodisc system, which employs a space-age laser technology but which can be attached to any television set, will beat their chief competitor, the RCA Corp., out of the gate on this new product.

A number of observers believe the MCA—Philips lead over RCA—which has spent about $100 million developing its own videodisc system with a different technology, but which also has delayed a marketing decision until 1978 at the earliest—could prove decisive in establishing the standard system for the U.S. and world markets.

The MCA/Philips and the RCA systems are not compatible, meaning the same disc cannot be played on both systems. Whoever prevails therefore not only will dominate the market for its own manufactured products, but also will receive license fees from all other companies who want to use its exclusive patents to manufacture either discs or players.

At stake is a market that some have estimated could be as large as $500 million a year for both the player and programming software by the early 1980s. Pessimists, who wonder how many times someone wants to play the same movie, put the total at far less.

But the MCA—Philips system has one distinct advantage over that developed by RCA which gives it a potential far beyond that of a home entertainment medium, and what some think is a clear edge unless RCA can come in with a system priced well below $500.

Because it can freeze a single frame on the television receiver for an indefinite period of time—something the RCA system can't do—it also can be used for information storage and retrieval.

Each of the half-hour MCA—Philips videodiscs, which resemble ordinary long-play records, contain 54,000 tracks that represent 54,000 separate images. It is there-

See DISC, P2, Col. 1

Future Role in World Trade

Videodisc Introduction Set T

DISC, From P1

fore possible to reproduce 54,000 separate pages of written or illustrative matter on a single videodisc. And it is relatively easy to attach a device that lets the user dial any of these pages in an instant.

It is estimated that the entire 30-volume densely printed Encyclopedia Brittanica could be put on six videodiscs.

The information retrieval rather than the entertainment capability has provided MCA with its first paying customer—the U.S. Central Intelligence Agency. The company recently announced in a cryptic press release that the U.S. government had entered into a contract to buy an unspecified number of players at an unspecified price for "industrial uses."

Wasserman, in an interview in his office overlooking the company's Universal Pictures backlot and the sprawling San Fernando Valley, revealed that the government customer involved was none other than the CIA.

"I'm not going to discuss anything else about this," said Wasserman, except to note that MCA, without Philips, would be supplying both the players and the software to the CIA. (The complex and only vaguely spelled out joint arrangement between MCA and Philips only involves consumer markets.) But he could not help bragging a little bit.

"I'm quite proud of this," he said. "With all the talk about videodisc systems, the only company that has delivered anything so far is MCA."

It is not known what the CIA will use the videodisc players for, but the agency is reported to have an extensive intelligence library on videotape, and presumably this could be transferred to videodiscs for increased compactness and improved retrieval capability.

(Ironically, the CIA's videotape dossier system is known as "Octopus," the same metaphor that was applied to MCA in the late 1950s and early 1960s when, as a talent agency—the old Music Corp. of America—and a movie and television producer, it was felt to have a monopolistic lock on Hollywood. The Justice Department finally made MCA divest itself of its talent agency.)

MCA and Philips will begin testing the consumer version of the videodisc system within 60 days in homes around the Tennessee Magnavox plant which will manufacture the videodisc players. Magnavox is owned by Philips. MCA, meanwhile, will make the discs for the U.S. market.

Because of the technical sophistication of the system's mechanics, this testing is meant to determine how easy it will be for consumers to use the players and how easy it will be to repair them should things go wrong. But MCA officials emphasized that this would be a test and not an experiment.

"This is not a question of go or no go," said MCA president Sidney J. Sheinberg. "This is go all the way."

Plans are to start marketing the machines toward the end of the year. But sources indicated that the initial marketing will not take place in New York, Los Angeles, Chicago, Dallas or other large urban centers but rather in smaller areas where it is intended to test the response of the average consumer to the product without the distortions caused by an affluent, technologically oriented core of 2 to 3 per cent of the population who are believed to be willing to buy virtually any product of this kind without concern about price.

The MCA—Philips optical videodisc system at first glance resembles an ordinary high fidelity turntable.

An aluminum-coated videodisc with a reflective rainbow sheen is placed on the turntable, but there the similarity ends. The hood is dropped, and when the machine is turned on, at the push of a button, the disc rotates at 1800 revolutions per minute (or 30 frames per second for 60 seconds) compared with 33 rpm for the normal long-play record.

A beam of laser light reads the visual messages in the form of bumps encoded on the videodisc and translates them into pictures on the television receiver. Because there is no needle, and therefore no friction, there is no wear on the disc despite repeated playings. The discs are quite durable and non-opaque fingerprints and smudge marks make no difference.

Besides the ability to freeze a single frame for longer viewing, the MCA—Philips system has buttons for forward and backward motion at not only regular speed but slow motion, extra fast or frame by frame. Access to any part of the disc is instantaneous and there is an index button that keeps count of the frames from 1 to 54,000 to show where you are.

The system also has jacks to connect to stereo speakers for high fidelity stereo sound reproduction. And the videodiscs can be encoded with two separate sound tracks for foreign translations or other uses.

Besides the rigid disc, MCA is working on a flexible, very thin disc that can be printed inexpensively on high-speed presses and inserted into magazines or books.

The RCA System, called Selecta—Vision, is designed to play a grooved 12-inch disc that also resembles a long-play record. It employs a tone arm, just like a conventional stereo system, but the disc revolves at 450 rpm. The needle has a life of 200 to 300 hours before it must be replaced, and each disc can be played about 500 times. The RCA system has no reverse, freeze or slow-motion features.

Both systems appear equally easy to operate, though the internal mechanics of the RCA system are more conventional and therefore simpler.

Conversely, the RCA disc, which requies a number of separate and careful laminations to close tolerances, is more complex to manufacture than that for the MCA/Philips system, which is where MCA and some Wall Street analysts think RCA is having problems. But RCA denies this.

Demonstration viewings of both systems showed a television picture, in each case, that was superior in both clarity and color quality to what is received through broadcast signals or cable transmissions.

Both MCA/Philips and RCA have been working on their videodisc systems for many years, and in 1975 each was able to demonstrate a playing model to the press.

General opinion by close observers of videodisc development, until recently, was that RCA had a time edge in bringing its system to market, because it was easier to operate, and that RCA either would have to come out earlier or significantly underprice the MCA/Philips system if it wanted to establish itself in the market because it had fewer features.

But RCA chairman Edgar H. Grif-

This Year

fiths surprised reporters at a recent press conference when he said that his company never intended to market its videodisc system in 1977 and would make a decision on whether to go ahead in mid-1978 at the earliest.

He said RCA was trying to bring a videodisc system to the public at between $500 and $600 initially, but that it would have "to be in a position to bring it down to $400" eventually.

"We frankly have a lot of work to do on software," Griffiths told the reporters, and also said RCA was working on development of a two-hour disc that could encompass an entire movie and would sell for about $12. He claimed, however, that "all major technical problems have been overcome with respect to the player and the disc." And Griffiths also said the "United States market is so big, I am not concerned about somebody else going ahead."

Some outside analysts, however, read the remarks to mean that Griffiths, who only recently moved up to the chairmanship of RCA and who has a reputation as an extremely cost-conscious manager, is getting ready to pull out of the videodisc race, taking his losses now rather than letting them mount.

"RCA gives a lot of indications of throwing in the towel, and that's what I think they will do," said David Londoner, an analyst with Wertheim & Co., who has followed the situation.

"I think if the MCA device is already on the market, RCA is going to have a rough go of it," he added. "People will see, in my opinion, that the MCA device is superior technologically with greater flexibility and a broader range of things it can do. The optical videodisc is a new medium of communication almost in a league with books, television and newspapers as a way to communicate."

Londoner speculated that the only reason RCA wasn't ready to sell its system was because of problems it was having in properly laminating its discs.

An RCA spokesman denied this, but conceded that "our disc is more complicated than theirs because we have put all of the technology into the disc, and come out with a simple player for the consumer, while they have put all of the technology into the player."

"We have not flagged up this fight at all," he added. "We just don't feel we have to be rushed, and it's not going to bother us that they are first. We think the market is going to be determined by price and serviceability. And we think our product is both more economical to manufacture than the competition's and easier to service at home."

By Donal Holway for The Washington Post

Wasserman's comments about RCA were on the caustic side.

"With all due respects to Mr. Griffiths, we've been hearing about the RCA system for 10 years," Wasserman said. "RCA said they were a year ahead of us until a few weeks ago, and now suddenly they are a year behind us."

Wasserman would not make any predictions on the initial success of the MCA/Philips videodisc system. "We have to make a judgment as to whether growth will be compared to that of black-and-white television, which was slow growth, or whether it will be like color television, which was explosive," he said. "We're playing it conservative, and anticipating gradual development."

MCA, along with the Disney Studios, is suing Sony meanwhile, claiming the Japanese company's Betamax home videotape system is being used by owners to tape its movies and television shows, and that this represents an infringement of its copyright.

Observers believe that the case eventually will be settled short of banning the Betamax, that some arrangement similar to that permitting audio recording for personal use only will be arrived at, but that MCA along the way will fight vigorously to put a crimp in what is also viewed as competition for its videodisc player.

MCA, through its Universal Studios, is also the country's largest motion picture producer and turns out 16 hours a week, or 25 per cent, of the three television networks' total prime time schedule. A look at [illegible] *Tuesday.*

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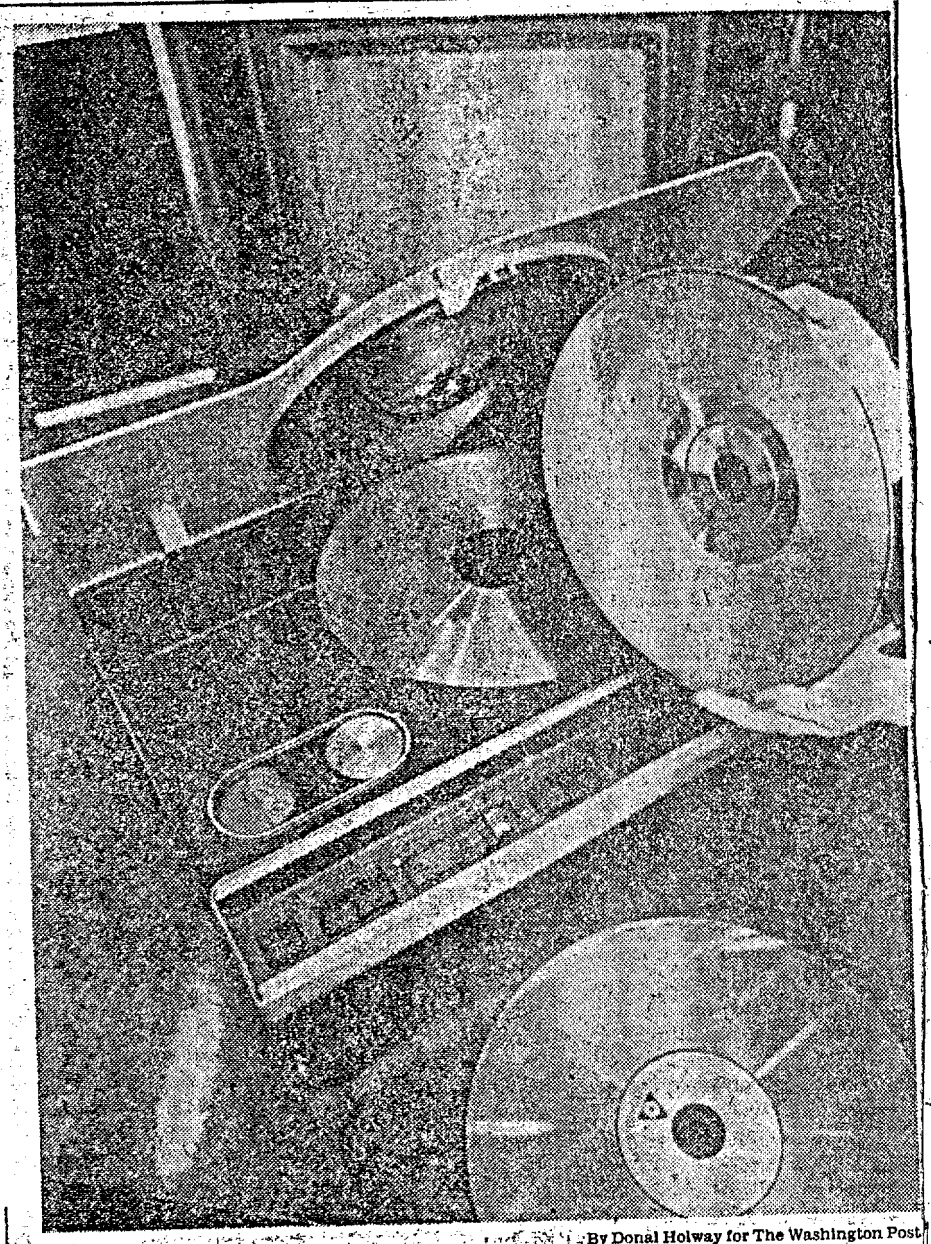

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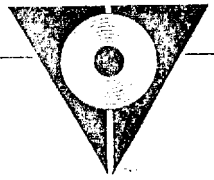
Videodisc being positioned in player attached to TV in background.



The industrial videodisc player developed and manufactured by MCA Disco-Vision, Inc., is a non-contact optical device using a 1 milliwatt laser. Being non-contact, the discs are hardy and long lived. The player offers a wide range of features such as freeze frame, slow and rapid motion, frame search and call up, frame crawl, etc. An interactive-player with memory and programmable interaction is now under development.

Players have already been delivered to one government agency for user tests and for developing specific solutions to various requirements at that agency.

The purpose of this demonstration—which we very much hope you will be able to attend—is to enable you to see the player and discs in their present state and to answer with candor all questions you may have regarding present (and future) prospects of linking this technology to the solution of problems in in your agency or department—some of which may be unique to your group while others may be shared with other potential users.

We are looking forward to having you with us and to learning from you how we might better be of service.